

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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R 100921Z DEC 77
FM USINT BAGHDAD
TO SECSTATE WASHDC 5345
INFO USDOC WASHDC
AMEMBASSY ABU DHABI
AMEMBASSY ATHENS
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY RABAT
AMEMBASSY SANA
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI

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E.O. 11652: N/A
TAGS: ETRD, IZ
SUBJECT: BOYCOTT: A HALF STEP TOWARDS ACCOMMODATION

REF: BAGHDAD 2028

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1. SUMMARY: THE MINISTRY OF TRADE HAS DECIDED THAT FIRMS
WHICH HAVE PREVIOUSLY PROVIDED BOYCOTT INFORMATION WOULD
NOT BE REQUIRED TO GIVE FURTHER BOYCOTT DOCUMENTATION FOR
NEW SALES AND CONTRACTS AND THAT POSITIVE CERTIFICATES
OF ORIGIN WOULD BE ACCEPTABLE FROM THESE FIRMS. UNLESS THE
MINISTRY OF FINANCE CHANGES BOYCOTT PROVISIONS IN LETTERS
OF CREDIT, HOWEVER, LIMITED ACCOMMODATIONS TO NEW US LAW

AND REGULATIONS CONCERNING FOREIGN BOYCOTTS WILL NOT CLEAR OBSTACLES TO US/IRAQI TRADE EVEN FOR US FIRMS ESTABLISHED IN THE IRAQI MARKET. END SUMMARY.

2. COMMERCIAL ATTACHE CALLED DECEMBER 5 ON KHALID ROTHMAN AL-DURI, DIRECTOR GENERAL RESPONSIBLE FOR BOYCOTT AFFAIRS IN THE MINISTRY OF TRADE, AND HIS SUBORDINATE, IKBAL MUNIR, DIRECTOR OF THE BOYCOTT OFFICE OF THE MINISTRY OF TRADE, TO SOLICIT THEIR "PERSONAL" REACTIONS TO THE DRAFT DEPARTMENT OF COMMERCE REGULATIONS CONCERNING FOREIGN BOYCOTTS. AL-DURI SAID THAT AN IRAQI GOVERNMENT COMMITTEE WAS CONSIDERING BOYCOTT ISSUES BUT HAD REACHED NO CONCLUSIONS AS YET; MOREOVER, IRAQ'S POSITION WILL DEPEND ON THE STANCE TAKEN BY THE ARAB LEAGUE, WHICH IS ALSO STILL CONSIDERING ITS POSITION. HE REMARKED THAT US BRIEFING TEAMS WHICH VISITED THE MIDDLE EAST IN SEPTEMBER AND OCTOBER HAD SPARKED A FLURRY OF CORRESPONDENCE BETWEEN ARAB CAPITALS AND THE ARAB LEAGUE BOYCOTT OFFICE IN DAMASCUS.

3. COMATT POINTED OUT THAT FINAL REGULATIONS WOULD BE PUBLISHED IN ABOUT TWO WEEKS AND WOULD GO INTO EFFECT AROUND THE 21ST. OF JANUARY, 1978. AT THAT TIME US-IRAQI DIFFERENCES OVER BOYCOTT MATTERS COULD SERIOUSLY DISRUPT TRADE. MOST URGENT PROBLEM IS THREE BOYCOTT CONDITIONS IN IRAQI LETTERS OF CREDIT, WHICH LIMITED OFFICIAL USE

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CURRENTLY REQUIRE THAT A FIRM (A) AGREE NOT TO SHIP GOODS ON A "BLACKLISTED STEAMER", (B) CERTIFY THAT IT IS NEITHER A "MOTHER COMPANY NOR A BRANCH OF A BLACKLISTED COMPANY", AND (C) PROVIDE A DUAL POSITIVE/NEGATIVE CERTIFICATE OF ORIGIN. US FIRMS WILL NOT BE ABLE TO AGREE TO THE FIRST TWO OF THESE AFTER JANUARY AND TO THE THIRD AFTER JUNE 1978.

4. IN REPLY, MUNIR SAID THAT FIRMS WHICH HAVE ALREADY GIVEN BOYCOTT INFORMATION WOULD NOT BE REQUIRED TO PROVIDE FURTHER BOYCOTT DOCUMENTATION (E.G., ANSWERS TO THE STANDARD EIGHT POINT QUESTIONNAIRE) FOR NEW SALES AND CONTRACTS AND THAT THE GOI WOULD ACCEPT POSITIVE CERTIFICATES OF ORIGIN FROM THESE FIRMS. NEITHER SHE NOR AL-DURI KNEW WHETHER ANY INSTRUCTIONS HAD BEEN GIVEN TO THE RAFIDAIN BANK (IRAQ'S ONLY COMMERCIAL BANK) TO CHANGE LETTERS OF CREDIT ACCORDINGLY. (SEE PARA 8 BELOW).

5. THE REAL PROBLEMS, IN MUNIR'S ESTIMATION, WERE COMPANIES NEW-TO-THE-IRAQI MARKET AND BOYCOTTED COMPANIES WHICH MUST PROVIDE INFORMATION SO THAT THEY CAN BE REMOVED FROM THE BLACKLIST. COMMATT POINTED OUT THAT THE THRUST

OF THE NEW LAW WAS TO SHIFT THE BURDEN OF THE ENFORCEMENT OF FOREIGN BOYCOTTS FROM US COMPANIES TO THE FOREIGN GOVERNMENT IMPOSING THE BOYCOTT; THUS, EVEN THOUGH BOYCOTTED COMPANIES AND COMPANIES NEW-TO-THE-IRAQI MARKET COULD NO LONGER PROVIDE BOYCOTT INFORMATION UNDER THE NEW LAW, NOTHING IN IT PREVENTS THE IRAQI GOVERNMENT FROM USING ITS OWN RESOURCES, SUCH AS THE IRAQI INTEREST SECTION IN WASHINGTON, TO ASCERTAIN INFORMATION. COMMATT ALSO OUTLINED AGAIN SHIPPING PROVISIONS ACCEPTABLE UNDER THE NEW LAWS AND REGULATIONS.

6. COMMATT RAISED THE SPECIFIC PROBLEM OF A BOYCOTT CLAUSE WHICH THE IRAQI GENERAL POULTRY COMPANY HAD ASKED A CANADIAN SUBSIDIARY OF AN AMERICAN COMPANY TO SIGN. LIMITED OFFICIAL USE

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CERTIFICATE REQUIRED THAT THE FIRM PLEDGE NOT TO DEAL WITH COMPANIES BOYCOTTED BY IRAQ. BOTH AL-DURI AND MUNIR SAID THAT THIS CLAUSE WAS CONTRARY TO IRAQI POLICY AND THEY WOULD TAKE UP THE CASE WITH THE GENERAL POULTRY COMPANY.

7. AT THE END OF THE INTERVIEW MUNIR VOLUNTEERED THAT THE GOI HAD COMPILED A LIST OF SEVERAL AMERICAN PRODUCTS, INCLUDING POULTRY AND BABY FOOD, SPECIFICALLY EXEMPTED FROM IRAQI BOYCOTT REGULATIONS. COMMENT: ACCORDING TO OTHER SOURCES, LIST INCLUDES AT LEAST FOLLOWING ADDITIONAL ITEMS: COMMUNICATIONS EQUIPMENT, SPARE PARTS FOR US-MADE GOODS, AND CERTAIN HEALTH AND MEDICAL SUPPLIES. END COMMENT.

8. TO FOLLOW-UP MINISTRY OF TRADE INTERVIEW, COMMATT CALLED DECEMBER 7 ON DIRECTOR OF FOREIGN DEPARTMENT, RAFIDAIN BANK, WHO SAID BANK HAD NO INSTRUCTIONS TO ISSUE "CLEAN" LETTERS OF CREDIT TO FIRMS WHICH HAVE PREVIOUSLY COMPLIED WITH GOI BOYCOTT REQUIREMENTS. THOUGH SEVERAL OF THE RAFIDAIN BANK'S US CORRESPONDENTS HAVE ALSO POINTED OUT IMPENDING SERIOUS PROBLEMS WHEN NEW US REGULATIONS TAKE EFFECT IN JANUARY, HE SAID THAT THE RAFIDAIN BANK ONLY FOLLOWED ORDERS ON BOYCOTT MATTERS AND REFERRED COMMATT TO MINISTRY OF FOREIGN AFFAIRS FOR ANY FURTHER DISCUSSION ON THE SUBJECT.

9. COMMENT: THE IRAQI REACTION TO SADAT'S VISIT TO JERUSALEM, WHICH HAS ANTI-US OVERTONES, LIKELY REDUCE CHANCES THAT THE IRAQI GOVERNMENT WILL MAKE ANY CHANGES IN ITS BOYCOTT LAWS AND REGULATIONS THAT COULD BE INTERPRETED AS A POLITICAL CONCESSION. MOREOVER, THE LIMITED ACCOMMODATIONS OF THE MINISTRY OF TRADE TO THE NEW US LIMITED OFFICIAL USE

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LAWS AND REGULATIONS CONCERNING FOREIGN BOYCOTTS APPEAR
ONLY TO AFFECT CONTRACTING AND TENDERING PRACTICES
GOVERNED BY THE MINISTRY OF TRADE. UNLESS IRAQI AUTHORITIES
INSTRUCT THE RAFIDAIN BANK TO ALTER LETTERS OF CREDIT ALSO,
THESE CHANGES BY THE MINISTRY OF TRADE WILL BE OF LITTLE
BENEFIT EVEN FOR US FIRMS ESTABLISHED IN THE IRAQI
MARKET.
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Message Attributes

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Copy: SINGLE
Sent Date: 10-Dec-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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